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LEASE OF RAILROAD EQUIPMENT  
INTERSTATE COMMERCE COMMISSION

READING COMPANY  
(Segar Four Leasing Company)

THIS LEASE OF RAILROAD EQUIPMENT dated as of May 1, 1971, between SEGAR FOUR LEASING COMPANY, a limited partnership (the "Lessor"), and READING COMPANY, a Pennsylvania corporation (the "Lessee");

WITNESSETH:

WHEREAS, Lessor has purchased, pursuant to a conditional sale agreement (the "Conditional Sale Agreement") the railroad equipment (collectively the "Equipment" and individually "Item of Equipment") described in Schedule A hereto; and

WHEREAS, the Lessee desires to lease all of the Equipment at the rentals and for the terms and upon the conditions hereinafter provided;

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Equipment to the Lessee upon the following terms and conditions, namely:

SECTION 1. DELIVERY AND ACCEPTANCE OF EQUIPMENT.

The Lessor will cause each Item of Equipment to be tendered to the Lessee on the line of railroad of the Lessee at the point or points mutually agreed upon by the Lessor and the Lessee. Upon such tender, the Lessee will cause an authorized representative of the Lessee to inspect the same, and if such Item of Equipment is found to be in good order, to accept delivery of such Item of Equipment and to execute and deliver to the Lessor a certificate of acceptance in the form attached hereto as Exhibit 1 (hereinafter called the "Certificate of Acceptance"), whereupon such Item of Equipment shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all of the terms and conditions of this Lease.

SECTION 2. RENTALS AND RENTAL PAYMENT DATES.

2.1. Rentals for Equipment.

The Lessee agrees to pay the Lessor for the use of the Equipment the Initial Term Rental and thirty installments of Fixed Rental in the amounts provided for such Equipment in Schedule B hereto. The Fixed Rental for each Item of Equipment on any rental payment date shall be the amount equal to the total Fixed Rental due on that rental payment date times the fraction of which the numerator is the Original Cost of such Item

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of Equipment as set forth on Schedule A hereto and the denominator is the total Original Cost of the Equipment.

## 2.2. Rental Payment Dates.

The Initial Term Rental for the Equipment delivered to the Lessee hereunder with respect to the Initial Term hereof as provided in Section 3 hereof shall be due and payable on January 1, 1972. The first installment of Fixed Rental for the Fixed Term hereof as provided in Section 3 hereof shall be due on July 1, 1972 and the second through the thirtieth installments of Fixed Rental shall be due and payable semi-annually commencing six calendar months after July 1, 1972.

## SECTION 3. TERM OF THE LEASE.

The Initial Term of this Lease as to each Item of Equipment shall begin on the date of delivery of such Item of Equipment to, and acceptance by, the Lessee and, subject to the provisions of Section 11 hereof, shall terminate on January 1, 1972. The Fixed Term of this Lease shall begin on January 1, 1972, and, subject to the provisions of Section 11 hereof, shall terminate on January 1, 1987.

## SECTION 4. TITLE TO THE EQUIPMENT.

4.1. The Lessor shall and hereby does retain full legal title to the Equipment notwithstanding the delivery thereof to and the possession and use thereof by Lessee.

4.2. The Lessee will cause each Item of Equipment to be kept numbered with its identifying number as set forth in Schedule A and will keep and maintain, plainly, distinctly, permanently and conspicuously marked by a plate or stencil printed in contrasting color upon each side of each Item of Equipment in letters not less than one inch in height as follows:

“Owned by Segar Four Leasing Company,  
and subject to a Security Interest of  
Girard Trust Bank, Agent, Recorded with  
the I.C.C.”

with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the title of the Lessor to such Item of Equipment, its rights under this Lease and the rights of any assignee under Section 16 hereof. The Lessee will not place any such Item of Equipment in operation or exercise any control or dominion over the same until the required legend shall have been so marked on both sides thereof and will replace promptly such names and word or words which may be removed, defaced or destroyed. The Lessee will not change the identifying number of any Item of Equipment except with the consent of the Lessor and in accordance with a statement of new identifying number to be substituted therefor, which consent and statement previously shall have been filed with the Lessor by the Lessee and filed, recorded or deposited in all public offices where this Lease shall have been filed, recorded or deposited.

4.3. Except as above provided, the Lessee will not allow the name of any person, association or corporation to be placed on the Equipment as a designation that might be interpreted as a claim of ownership; provided however, that the Lessee may cause the Equipment to be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates on railroad equipment used by it of the same or a similar type for convenience of identification of the right of the Lessee to use the Equipment under this Lease.

4.4. The Lessee shall indemnify the Lessor and any assignee under Section 16 hereof against any liability, loss or expense incurred by any of them as a result of the aforesaid marking of the Equipment with such name, initials or insignia.

#### SECTION 5. DISCLAIMER OF WARRANTIES.

As between Lessor and Lessee, Lessor leases the Equipment, "AS-IS" without warranty or representation, either express or implied, as to (a) the fitness or merchantability of any Item or Items of Equipment, (b) the Lessor's title thereto, (c) the Lessee's right to the quiet enjoyment thereof, or (d) any other matter whatsoever, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee. The Lessor hereby appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name and for the account of the Lessor and the Lessee, as their interests may appear, but in all cases at the sole cost and expense of the Lessee, whatever claims and rights the Lessor may have as owner of the Equipment against the manufacturer thereof.

#### SECTION 6. LESSEE'S INDEMNITY.

6.1. The Lessee shall defend, indemnify and save harmless the Lessor, its successors and assigns from and against:

(a) any and all loss or damage of or to the Equipment, usual wear and tear excepted, and

(b) any claim, cause of action, damages, liability, cost or expense (including counsel fees and costs in connection therewith) which may be incurred in any manner by or for the account of any of them (i) relating to the Equipment or any part thereof, including without limitation the construction, purchase, delivery, installation, ownership, leasing or return of the Equipment or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects are latent or discoverable by the Lessor or by the Lessee), (ii) by reason or as the result of any act or omission of the Lessee for itself or as agent or attorney-in-fact for the Lessor hereunder or (iii) as a result of claims for patent infringements.

6.2. The indemnities and assumptions of liability in this Section 6 contained shall continue in full force and effect notwithstanding the termination of this Lease, or the

termination of the term hereof in respect of any one or more Items of Equipment, whether by expiration of time, by operation of law or otherwise. The Lessee shall be entitled to control, and shall assume full responsibility for, the defense of such claim or liability.

#### SECTION 7. RULES, LAWS AND REGULATIONS.

The Lessee agrees to comply with all Governmental laws, regulations, requirements and rules (including the rules of the Interstate Commerce Commission, the Federal Department of Transportation and the current Interchange Rules, or supplements thereto, of the Mechanical Division, Association of American Railroads) with respect to the use, maintenance and operation of each Item of Equipment subject to this Lease. In case any equipment or appliance on any such Item of Equipment shall be required to be changed or replaced, or in case any additional or other equipment or appliance is required to be installed on such Item of Equipment in order to comply with such laws, regulations, requirements and rules, the Lessee agrees to make such changes, additions and replacements.

#### SECTION 8. USE AND MAINTENANCE OF EQUIPMENT.

The Lessee shall use the Equipment only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear. The Lessee shall, at its own cost and expense, maintain and keep the Equipment in good order, condition and repair, ordinary wear and tear excepted, suitable for use in interchange. The Lessee shall not modify any Item of Equipment without the written authority and approval of the Lessor which shall not be unreasonably withheld. Any parts installed or replacements made by the Lessee upon any Item of Equipment shall be considered accessions to such Item of Equipment and title thereto shall be immediately vested in the Lessor, without cost or expense to the Lessor.

The Lessee will not assign or permit the assignment of any Item of Equipment to service involving the regular operation and maintenance thereof outside the United States of America and any use of any Item of the Equipment outside the United States of America will be limited to incidental and temporary use.

#### SECTION 9. LIENS ON THE EQUIPMENT.

The Lessee shall pay or satisfy and discharge any and all claims against, through, or under the Lessee and its successors or assigns which, if unpaid, might become a lien or a charge upon the Equipment, and any liens or charges which may be levied against or imposed upon any Item of Equipment as a result of the failure of the Lessee to perform or observe any of its covenants or agreements under this Lease, but the Lessee shall not be required to pay or discharge any such claims so long as it shall, in good faith and by appropriate legal proceedings, contest the validity thereof in any reasonable manner which will not affect or endanger the title and interest of the Lessor to the Equipment. Lessee's obligations under this Section 9 shall survive termination of the Lease.

## SECTION 10. FILING: PAYMENT OF FEES AND TAXES.

10.1. Prior to the delivery and acceptance of the first Item of Equipment, the Lessee will, at its sole expense, cause this Lease to be duly filed, registered or recorded in conformity with Section 20c of the Interstate Commerce Act or other applicable statutory authority, and/or in such other place or places within or without the United States as the Lessor may reasonably request for the protection of its title and will furnish the Lessor proof thereof. The Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register and record (and will re-file, re-register, or re-record whenever required) any and all further instruments required by law or reasonably requested by Lessor, for the purpose of protecting the Lessor's title to the Equipment to the satisfaction of the Lessor's counsel or for the purpose of carrying out the intention of this Lease, and in connection with any such action, will deliver to the Lessor proof of such filings and an opinion of the Lessee's counsel that such action has been properly taken. Lessee will pay all costs, charges and expenses incident to any such filing, re-filing, registering, re-registering, recording and re-recording of any such instruments or incident to the taking of such action.

10.2. The Lessee, or the Lessor at the Lessee's expense, shall report, pay and discharge when due all license and registration fees, assessments, sales, use and property taxes, gross receipts taxes arising out of receipts from use or operation of the Equipment and other taxes, fees and governmental charges similar or dissimilar to the foregoing (excluding any net income tax provided that the Lessee agrees to pay that portion of any such net income tax which is in direct substitution for, or which relieves the Lessee from a tax which the Lessee would otherwise be obligated to pay under the terms of this Section), together with any penalties or interest thereon, imposed by any state, federal or local government upon any Item of Equipment and whether or not the same shall be assessed against or in the name of the Lessor or Lessee; provided, however, that the Lessee shall not be required to pay or discharge any such tax or assessment (i) so long as it shall, in good faith and by appropriate legal proceedings, contest the validity thereof in any reasonable manner which will not affect or endanger the title and interest of Lessor to the Equipment, however, Lessee shall reimburse Lessor for any damages or expenses resulting from such failure to pay or discharge, or (ii) as to assessments against or in the name of anyone other than Lessee, until 20 days after written notice thereof shall have been given to Lessee.

## SECTION 11. PAYMENT FOR CASUALTY OCCURRENCE OR EQUIPMENT UNSERVICEABLE FOR USE.

11.1. In the event that any Item of Equipment shall be or become lost, stolen, destroyed, or, in the opinion of the Lessee, irreparably damaged, or shall be requisitioned or taken over by any governmental authority under the power of eminent domain or otherwise during the term of this Lease (any such occurrence, except for any requisition which by its terms does not exceed the remaining term of this Lease, being hereinafter called a Casualty Occurrence), the Lessee shall promptly and fully (after it has knowledge of such Casualty Occurrence) inform the Lessor and any assignee of Lessor in regard thereto.

11.2. When (i) the aggregate Casualty Value (as herein defined) of the Items of Equipment described in Schedule A having suffered a Casualty Occurrence (exclusive of Items of Equipment described in such Schedules having suffered a Casualty Occurrence with respect to which a payment shall have been made to the Lessor pursuant to this Section 11) shall exceed \$50,000 or (ii) the next succeeding rental payment date is the last such date of the Fixed Term, the Lessee, on the next succeeding rental payment date (subsequent to January 1, 1972) (provided such next succeeding rental payment date is not less than 90 days after such Casualty Occurrence in the case of any rental payment date other than the last such date of the Fixed Term) shall pay to the Lessor a sum equal to the Casualty Value of such Item or Items of Equipment having suffered a Casualty Occurrence as of the date of such payment.

11.3. Upon (and not until) payment of the Casualty Value in respect of any Item or Items of Equipment, the obligation to pay rental for such Item or Items of Equipment (except the Fixed Rental installment due on the Casualty Value payment date) shall terminate, but the Lessee shall continue to pay rental for all other Items of Equipment. The reduction in subsequent installments of Fixed Rental shall be equal to the Fixed Rental otherwise payable pursuant to Schedule B times the fraction whose numerator is the Original Cost of all Items of Equipment listed in Schedule A with respect to which Casualty payments have been made and whose denominator is the total Original Cost of the Equipment as set forth on Schedule A. The Lessee shall pay when due all rental payments as to an Item or Items due prior to the date on which the Casualty Value thereof is payable.

11.4. The Lessee shall, as agent for the Lessor, dispose of such Item or Items of Equipment suffering a Casualty Occurrence as soon as it is able to do so for the best price obtainable. Any such disposition shall be on an "AS-IS", "WHERE-IS" basis without representation or warranty, express or implied. As to each separate Item of Equipment so disposed of the Lessee may retain all amounts of such price plus any insurance proceeds and damages received by the Lessee by reason of such Casualty Occurrence up to the Casualty Value attributable thereto and shall remit the excess, if any, to the Lessor. In disposing of such Item or Items of Equipment, the Lessee shall take such action as the Lessor shall reasonably request to terminate any contingent liability which the Lessor might have arising after such disposition from or connected with such Item or Items of Equipment.

11.5. The Casualty Value of each Item of Equipment described in Schedule A shall be an amount determined as of the date the Casualty Value is paid as provided in this Section 11 (and not the date of the Casualty Occurrence) equal to that percentage of the Original Cost to the Lessor of such Item of Equipment set forth in the Schedule of Casualty Value attached hereto as Schedule C.

11.6. The Lessee shall bear the risk of and, except as hereinabove in this Section 11 provided, shall not be released from its obligations hereunder in the event of, any Casualty

Occurrence to any Item of Equipment after the date hereof.

11.7. In the event that during the term of this Lease the use of any Item of Equipment is requisitioned or taken by any governmental authority under the power of eminent domain or otherwise for a period which does not exceed the remaining term of this Lease, the Lessee's duty to pay rent shall continue for the duration of such requisitioning or taking. The Lessee shall be entitled to receive and retain for its own account all sums payable for any such period by such governmental authority as compensation for requisition or taking of possession to an amount equal to the rent paid or payable hereunder for such period, and the balance, if any, shall be payable to and retained by the Lessor as its sole property.

11.8. At Lessee's option, it may, in lieu of paying to Lessor the Casualty Value payable in respect of any Casualty Occurrence, convey to Lessor Items of Substitute Equipment (as defined below) to replace any Item of Equipment in respect of which Lessee would otherwise be obligated to pay to Lessor the Casualty Value. The replacement of such Items of Equipment shall be accomplished in the following manner:

(a) Lessee shall deliver to Lessor (i) Bill of Sale in respect of the Items of Substitute Equipment, which Bill of Sale shall warrant that at the time of such delivery Lessee had good and lawful title to the Items of Substitute Equipment and that the Items of Substitute Equipment were free of all claims, liens, security interests and other encumbrances of any nature; (ii) Certificate of Acceptance with respect to the Items of Substitute Equipment; (iii) Opinion dated as of such date of counsel for Lessee, stating that title to each Item of Substitute Equipment is validly vested in Lessor and that each Item of Substitute Equipment, at the time of acceptance thereof by Lessee from Lessor pursuant to the Certificate of Acceptance was free of all claims, liens, security interests and other encumbrances except only the rights of the Vendor under the Conditional Sale Agreement and the rights of the Lessee under this lease; and (iv) Certificate by the Chief Mechanical Officer of the Lessee that the equipment replacing Items of Equipment having suffered a Casualty Occurrence constitutes only Items of Substitute Equipment, setting forth the fair market value (as determined by an independent appraisal or, in the case of purchased equipment, the purchase price thereof) and useful life of each such Item of Substitute Equipment.

(b) Lessor and Lessee shall execute an amendment to this Lease amending the description of the Equipment by deleting therefrom the Items of Equipment having suffered a Casualty Occurrence and substituting therefor the Items of Substitute Equipment. Lessee shall, at its expense, record such amended lease as provided in Section 10 hereof.

(c) Upon compliance with the provisions of subparagraphs (a) and (b) of this subsection 11.8, the Items of Substitute Equipment shall become subject to this Lease and, thereafter, shall constitute Items of Equipment. For purposes of computing the Casualty Value of each Item of Substitute Equipment, the Original

Cost of such Item of Equipment shall be the Original Cost of the Item of Equipment replaced by such Item of Substitute Equipment.

11.9. Item of Substitute Equipment shall mean an item of railroad equipment (other than passenger or work equipment) which, at the time it becomes subject to this lease, (i) has a fair market value and useful life that are not less than the fair market value and useful life which that Item of Equipment which suffered a Casualty Occurrence (and in respect of which payment of its Casualty Value would otherwise have to be made to Lessor hereunder) would have had on that date but for such Casualty Occurrence and (ii) has been numbered and marked as specified in subsection 4.2 hereof.

## SECTION 12. ANNUAL REPORTS.

12.1. On or before April 1 in each year, commencing with the year 1972, the Lessee will furnish to the Lessor or its assigns an accurate statement, as of the end of the preceding calendar year, (a) showing the amount, description and numbers of the Items of Equipment then leased hereunder, the amount, description and numbers of all Items of Equipment that may have suffered a Casualty Occurrence during the preceding 12 months (or since the date of this Lease, in the case of the first such statement), and such other information regarding the condition and state of repair of the Equipment as Lessor may reasonably request, and (b) stating that, in the case of all Equipment repainted or repaired during the period covered by such statement, the markings required by Section 4 hereof shall have been preserved or replaced, and that the name of no person, association or corporation appearing on any Item of Equipment may be interpreted as indicating a claim of ownership thereof by any such person, association or corporation except as contemplated pursuant to this Lease.

12.2. The Lessor or its assigns shall have the right, at its sole cost and expense, by its authorized representative, to inspect the Equipment and the Lessee's records with respect thereto, at such times as shall be reasonably necessary to confirm to the Lessor or its assigns the existence and proper maintenance thereof during the continuance of this Lease.

## SECTION 13. RETURN OF EQUIPMENT UPON EXPIRATION OF TERM; PURCHASE OR EXTENSION OPTION

13.1. Upon the expiration of the term of this Lease with respect to any Item of Equipment, the Lessee will, at its own cost and expense, at the request of Lessor, deliver possession of such Item of Equipment to the Lessor upon such storage tracks of the Lessee as the Lessor may designate, or in the absence of such designation as the Lessee may select, and permit the Lessor to store such Item of Equipment on such tracks for a period not exceeding three months and transport the same at any time within such three months period to any reasonable place on the lines of railroad operated by the Lessee or to any connecting carrier for shipment, all as directed by the Lessor upon not less than thirty days' written notice to Lessee. All movement and storage of each such Item is to be at the risk and expense of the Lessee. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Item, to inspect the same. The assembling, delivery, storage and transporting of the Equipment as hereinbefore provided



are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee to so assemble, deliver, store and transport the Equipment.

13.2. Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may, by written notice delivered to the Lessor not less than six months prior to the end of the Fixed Term of this Lease elect (1) to purchase all but not fewer than all the Items of Equipment then covered by this Lease at the end of the Fixed Term hereof for a purchase price equal to the "Fair Market Value" thereof as of the end of the Fixed Term or (2) to extend the term of this Lease for three additional periods of five years each in respect of all, but not fewer than all, of the Items of Equipment then covered by this Lease at the end of the Fixed Term hereof at a rental equal to the "Fair Rental Value" thereof as of the end of the Fixed Term or each additional term payable in ten equal semiannual payments during each additional term.

Fair Market Value shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's length transaction between an informed and willing buyer-user (other than (i) a lessee currently in possession or (ii) a used equipment dealer) and an informed and willing seller under no compulsion to sell and, in such determination, costs of removal from the location of current use shall not be a deduction from such value. Fair Rental Value shall be determined on the basis of, and shall be equal in amount to, the rental which would obtain in an arm's length transaction between an informed and willing lessee-user (other than a lessee currently in possession) and an informed and willing lessor under no compulsion to lease, and in such determination costs of removal from the location of current use shall not be a deduction from such rental.

If on or before four months prior to the expiration of the Fixed Term or any additional term hereof, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Value or Fair Rental Value of the Items of Equipment, such values shall be determined in accordance with the foregoing definition, by a qualified independent Appraiser. The term Appraiser shall mean such independent appraiser as the Lessor and the Lessee may mutually agree upon, or, failing such agreement, a panel of three independent appraisers, one of whom shall be selected by the Lessor, the second by the Lessee and the third designated by the first two so selected. The Appraiser shall be instructed to make such determination within a period of 30 days following appointment, and shall promptly communicate such determination in writing to the Lessor and the Lessee. The determination so made shall be conclusively binding upon both Lessor and Lessee. The expenses and fee of the Appraiser shall be borne by the Lessee.

#### SECTION 14. DEFAULT.

14.1. If, during the continuance of this Lease, one or more of the following events ("Events of Default") shall occur:

- (a) Default shall be made in the payment of any part of the rental provided in Section 2 hereof and such default shall continue for five days;

(b) The Lessee shall make or permit any unauthorized assignment or transfer of this Lease or of possession of the Equipment, or any portion thereof, and shall fail or refuse to cause such assignment or transfer to be cancelled by agreement of all parties having any interest therein and to recover possession of such Equipment within 30 days after written notice from the Lessor to the Lessee demanding such cancellation and recovery of possession;

(c) Default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein and such default shall continue for thirty days after written notice from the Lessor to the Lessee, specifying the default and demanding the same to be remedied;

(d) A petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as said Section 77 may be hereafter amended, shall be filed by or against the Lessee, and all the obligations of the Lessee under this Lease shall not have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed in such proceedings or otherwise given a status comparable to obligations incurred by such a trustee or trustees within thirty days after such appointment, if any, or sixty days after such petition shall have been filed, whichever shall be earlier; or

(e) Any other proceedings shall be commenced by or against the Lessee for any relief under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganization, arrangements, compositions or extensions (other than a law which does not permit any readjustment of the obligations of the Lessee hereunder), and all the obligations of the Lessee under this Lease shall not have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed for the Lessee or for the property of the Lessee in connection with any such proceedings or otherwise given a status comparable to obligations incurred by such a trustee or trustees or receiver or receivers, within thirty days after such appointment, if any, or sixty days after such proceedings shall have been commenced, whichever shall be earlier;

then in any such case, the Lessor, at its option may

(a) proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof; or

(b) by notice in writing to the Lessee, terminate this Lease, whereupon all right of the Lessee to the use of the Equipment shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided; and thereupon, the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Equipment may be and take possession of all or any of such Equipment and thenceforth hold, possess and enjoy the same free

from any right of the Lessee, or its successors or assigns, to use the Equipment for any purpose whatever; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by a fraction of which the numerator is such accrued number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee (i) as damages for loss of the bargain and not as a penalty, a sum, with respect to each Item of Equipment, which represents the excess of the present worth, at the time of such termination, of all rentals for such Item which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Item over the then present worth of the then fair rental value of such Item for such period computed by discounting to the date of such termination rentals which the Lessor reasonably estimates to be obtainable for the use of the Item during such period, such present worth to be computed in each case on a basis of a 3½% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, and (ii) any damages and expenses, including reasonable attorney's fees, in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant or covenants of this Lease, other than for the payments of rental.

14.2. The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify any of the remedies herein provided, to the extent that such waiver is permitted by law. The Lessee hereby waives any and all existing or future claims of any right to assert any off-set against the rental payments due hereunder, and agrees to make the rental payments regardless of any off-set or claim which may be asserted by the Lessee or on its behalf in connection with the lease of the Equipment.

14.3. The failure of the Lessor to exercise the rights granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

#### SECTION 15. RETURN OF EQUIPMENT UPON DEFAULT.

15.1. If the Lessor shall terminate this Lease pursuant to Section 14 hereof, the Lessee shall forthwith deliver possession of the Equipment to the Lessor. For the purpose of delivering possession of any Item of Equipment to the Lessor as above required, the Lessee shall at its own cost, expense and risk (except as hereinafter stated):

- (a) Forthwith place such Equipment in such reasonable storage place on Lessee's lines of railroad as the Lessor may designate or, in the absence of such designation, as

the Lessee may select;

(b) Permit the Lessor to store such Equipment in such reasonable storage place on the Lessee's lines of railroad for a period not exceeding six months at the risk of the Lessee; and

(c) Transport the Equipment, at any time within such six months' period, to any place on the lines of railroad operated by the Lessee or to any connecting carrier for shipment, all as the Lessor may reasonably direct upon not less than 30 days' written notice to Lessee.

15.2. The assembling, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Equipment.

15.3. Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section 15, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Items of Equipment to the Lessor, to demand and take possession of any such Item in the name and on behalf of the Lessee from whomsoever shall be at the time in possession of such Item.

#### SECTION 16. ASSIGNMENTS BY LESSOR.

This Lease shall be assignable in whole or in part by Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. In the event that separate assignments are executed by the Lessor in respect of this Lease and the rental and other sums due and to become due hereunder insofar as the same relate to Items of Equipment described in different schedules hereto, the Lessor and the Lessee agree that so long as such separate assignments remain in force and effect this Lease shall be deemed to be and shall be construed as a divisible and severable contract between the Lessor and the Lessee for the leasing of Equipment covered by each such separate assignment, all to the same extent and with the same force and effect as though a separate lease had been entered into by the Lessor and the Lessee in respect of such Equipment. Upon notice to the Lessee of any such assignment the rental and other sums payable by the Lessee which are the subject matter of the assignment shall be paid to the assignee. Without limiting the foregoing, the Lessee further acknowledges and agrees that (i) the rights of any such assignee in and to the sums payable by the Lessee under any provisions of this Lease shall not be subject to any abatement whatsoever, and shall not be subject to any defence, set-off, counterclaim or recoupment whatsoever whether by reason of or defect in the Lessor's title, or any interruption from whatsoever cause (other than from a wrongful act of the assignee) in the use, operation or possession of the Equipment or any part thereof,

or any damage to or loss or destruction of the Equipment or any part thereof or by reason of any other indebtedness or liability, howsoever and whenever arising, of the Lessor to the Lessee or to any other person, firm or corporation or to any governmental authority or for any cause whatsoever, it being the intent hereof that, except in the event of a wrongful act on the part of the assignee, the Lessee shall be unconditionally and absolutely obligated to pay the assignee all of the rents and other sums which are the subject matter of the assignment, and (ii) the assignee shall have the sole right to exercise all rights, privileges and remedies (either in its own name or in the name of the Lessor for the use and benefit of the assignee) which by the terms of this Lease are permitted or provided to be exercised by the Lessor.

#### SECTION 17. ASSIGNMENTS BY LESSEE: USE AND POSSESSION.

17.1. So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession and use of the Equipment in accordance with the terms of this Lease, but, without the prior written consent of the Lessor, the Lessee shall not assign, transfer or encumber its leasehold interest under this Lease in any of the Equipment (except to the extent that the provisions of any mortgage now or hereafter created on any of the lines of railroad of the Lessee may subject such leasehold interest to the lien thereof provided that the lien thereof is subordinate to or does not conflict with the rights of Lessor hereunder). The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Equipment, except to the extent permitted by the provisions of the next succeeding paragraph hereof.

17.2. So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession of the Equipment and to the use thereof upon the lines of railroad owned or operated by it (either alone or jointly) or by any corporation a majority of whose voting stock (i.e., having ordinary voting power for the election of a majority of its Board of Directors) is owned directly or indirectly by the Lessee, or upon lines of any railroad over which the Lessee or any such corporation has trackage or other operating rights or over which equipment of the Lessee is regularly operated pursuant to contract, and also to permit the use of the Equipment upon connecting and other railroads in the usual interchange of traffic, but only upon and subject to all the terms and conditions of this Lease; and the Lessee may receive and retain compensation for such use from other railroads so using any of the Equipment. Lessee may also lease the Equipment to any other railroad company with the prior written consent of the Lessor, provided that the rights of such lessee are made expressly subordinate to the rights and remedies of the Lessor hereunder. No assignment, sublease or interchange entered into by the Lessee hereunder shall relieve the Lessee of any liability or obligations hereunder which shall be and remain those of a principal and not a surety.

17.3. Nothing in this Section 17 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Equipment or possession of the Equipment to any corporation (which shall have duly assumed the obligations hereunder of the Lessee) into or with which the Lessee shall have become merged or consoli-

dated or which shall have acquired the property of the Lessee as an entirety or substantially as an entirety.

#### SECTION 18. OPINION OF COUNSEL.

Concurrently with the delivery and acceptance of the first Item of Equipment hereunder, the Lessee will deliver to the Lessor ten counterparts of the written opinion of counsel for the Lessee addressed to the Lessor and to the assignee under the first assignment executed by the Lessor with respect to the Lease in scope and substance satisfactory to the Lessor, to the effect that:

(a) The Lessee is a corporation legally incorporated and validly existing, in good standing, under the laws of the Commonwealth of Pennsylvania, with adequate corporate power to enter into this Lease;

(b) This Lease has been duly authorized, executed and delivered by the Lessee and constitutes a valid, legal and binding agreement of the Lessee enforceable in accordance with its terms;

(c) This Lease has been filed and recorded with the Interstate Commerce Commission pursuant to Section 20c of the Interstate Commerce Act and no other filing, recording or depositing or any notice thereof is necessary to protect the Lessor's title to the Equipment in the United States of America;

(d) No approval is required from any public regulatory body with respect to the entering into or performance of this Lease; and

(e) The entering into and performance of this Lease will not result in any breach of, or constitute a default under, or result in the creation of any lien, charge or encumbrance upon the Lessee's leasehold interest under this Lease in the Equipment (except to the extent that the provisions of any existing mortgage of the Lessee may require the subjection of such leasehold interest to the lien thereof) pursuant to any indenture, mortgage, deed of trust, bank loan or credit agreement or other instrument to which the Lessee is a party or by which it may be bound.

#### SECTION 19. INTEREST ON OVERDUE RENTALS AND AMOUNTS PAID BY THE LESSOR.

Anything to the contrary herein contained notwithstanding, any nonpayment of rentals due hereunder, or amounts expended by the Lessor on behalf of the Lessee, shall result in the obligation on the part of the Lessee to pay also an amount equal to 11½% per annum (or the lawful rate, whichever is less) of the overdue rentals and amounts expended for the period of time during which they are overdue or expended and not repaid.

**SECTION 20. NOTICES.**

Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when deposited in the United States certified mails, first class postage prepaid, addressed as follows:

If to the Lessor:            Segar Four Leasing Company  
                                     1700 Pennsylvania Avenue, N.W.  
                                     10th Floor  
                                     Washington, D.C. 20006  
                                     Attention: Mr. William T. McNarnay

If to the Lessee:            Reading Company  
                                     12th and Market Streets  
                                     Philadelphia, Pennsylvania 19107  
                                     Attention: Vice President—Finance

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing.

**SECTION 21. EXECUTION IN COUNTERPARTS.**

This Lease, and any lease supplemental hereto, may be executed in several counterparts, each of which so executed shall be deemed to be an original and in each case such counterparts shall constitute but one and the same instrument.

**SECTION 22. LAW GOVERNING.**

This Lease shall be construed in accordance with the laws of Pennsylvania; provided, however, that the parties shall be entitled to all rights conferred by any applicable federal statute, rule or regulation.

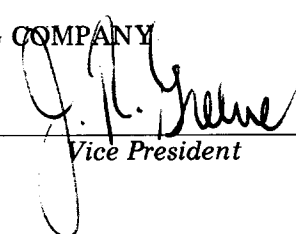
IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed as of the day and year first above written.

SEGAR FOUR LEASING COMPANY

By   
a General Partner LESSOR

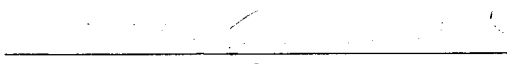
APPROVED  
AS TO FORM

READING COMPANY

By   
Vice President LESSEE

[CORPORATE SEAL]

Attest:

  
Secretary

ATTACHMENTS TO LEASE

- Exhibit 1 — Certificate of Acceptance
- Schedule A — Description of Equipment
- Schedule B — Rent
- Schedule C — Casualty Value



*Robert G. Chamberlain* 17  
~~STATE OF PENNSYLVANIA~~ }  
~~COUNTY OF PHILADELPHIA~~ } SS

On this 1st day of June, 1971, before me personally appeared William Kitzinger, to me known to be a General Partner of SEGAR FOUR LEASING COMPANY, a partnership mentioned and described in, and who executed the foregoing instrument, and acknowledged to me that he executed the same as his free deed and act for and on behalf of and with the authority of said partnership.

[NOTARIAL SEAL]

*Edward P. Jallief*  
Notary Public

My Commission Expires: 3/31/71

STATE OF PENNSYLVANIA }  
COUNTY OF PHILADELPHIA } SS

On this 1st day of June, 1971, before me personally appeared J R GREENE, to me personally known, who being by me duly sworn, says that he is a Vice-President of READING COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[NOTARIAL SEAL]

*John W. Williams*  
Notary Public

My Commission Expires:

Notary Public, Philadelphia, Philadelphia Co.  
My Commission Expires January 17, 1974

**CERTIFICATE OF DELIVERY  
AND  
CERTIFICATE OF ACCEPTANCE**

Under Lease of Railroad Equipment Dated as of May 1, 1971

The undersigned, being the duly authorized representatives of Segar Four Leasing Company (the "Company") and of Reading Company ("Reading"), respectively, hereby certify that the following units of railroad equipment, referred to in the Lease of Railroad Equipment (the "Lease") between the Company and Reading, dated as of May 1, 1971:

Type of Equipment:

Quantity	Reading's Identifying Numbers	Acceptance Date
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have been duly delivered to the Company in good order and duly inspected and accepted by the undersigned on the respective dates shown above on behalf of the Company and in turn have been duly delivered by the Company to Reading as lessee under the Lease and have been duly inspected and accepted by the undersigned on said dates on behalf of Reading as conforming in all respects to the requirements and provisions of the Lease.

The undersigned further certify that at the time of its delivery to the Company and Reading each unit of railroad equipment covered by this Certificate was properly marked on each side thereof with the legend provided in Section 4 of the Lease.

\_\_\_\_\_  
Duly Authorized Representative  
of SEGAR FOUR LEASING COMPANY

\_\_\_\_\_  
Duly Authorized Representative  
of READING COMPANY

### SCHEDULE A TO LEASE

Seventy-ton steel box cars built to Reading Company's Specifications dated November 16, 1970, with the special equipment shown below, to be delivered between May 15, 1971, and October 15, 1971, at Reading, Pennsylvania.

Special Equipment	Quantity	Reading Company Road Numbers (Inclusive)	Item Original Cost	Total Original Cost
4-belt DF-2	150	18600-18749	\$18,440	\$2,766,000
9-belt DF-2	50	18750-18799	19,118	955,000
18-belt DF-1	30	18800-18829	20,140	604,200
4 one-piece bulkheads	30	18830-18859	21,718	651,540
2 Air-Pak bulkheads	40	18860-18899	21,484	859,360
Total	300			\$5,837,000

### Schedule B to Lease

#### RENT PAYMENTS

#### Initial Term Rental

0.9249% per month of the Total Original Cost of each Group of Equipment as set forth on Schedule A hereto for each month (or prorated portion thereof) prior to January 1, 1972 but subsequent to the Closing Date with respect to such Group (as defined in the Conditional Sale Agreement).

#### Fixed Rental

Installments (1) through (10)—Payable July 1, 1972, and semiannually thereafter until and including January 1, 1977:

5.5492% of the Total Original Cost of the Equipment as set forth in Schedule A hereto.

Installments (11) through (30)—Payable July 1, 1977, and semiannually thereafter until and including January 1, 1987:

6.49% of the Total Original Cost of the Equipment as set forth in Schedule A hereto.

## Schedule C to Lease

## CASUALTY VALUE

The Casualty Value of any Item of Equipment shall equal the Applicable Percentage as set forth below of the Original Cost of such Item on Schedule A.

Payment No.	Payment Made at End of Semi-Annual Period Ending	Applicable Percentage
(1)	July 1, 1972	108.2456
(2)	January 1, 1973	111.1304
(3)	July 1, 1973	113.6512
(4)	January 1, 1974	115.8043
(5)	July 1, 1974	117.5861
(6)	January 1, 1975	118.9926
(7)	July 1, 1975	120.0198
(8)	January 1, 1976	120.6633
(9)	July 1, 1976	120.9183
(10)	January 1, 1977	120.7802
(11)	July 1, 1977	115.9686
(12)	January 1, 1978	111.2033
(13)	July 1, 1978	106.4786
(14)	January 1, 1979	101.7883
(15)	July 1, 1979	97.1263
(16)	January 1, 1980	92.4857
(17)	July 1, 1980	87.8594
(18)	January 1, 1981	83.2402
(19)	July 1, 1981	78.6200
(20)	January 1, 1982	73.9905
(21)	July 1, 1982	69.3430
(22)	January 1, 1983	64.6683
(23)	July 1, 1983	59.9567
(24)	January 1, 1984	55.1977
(25)	July 1, 1984	50.3807
(26)	January 1, 1985	45.4940
(27)	July 1, 1985	40.5258
(28)	January 1, 1986	35.4631
(29)	July 1, 1986	30.2927
(30)	January 1, 1987	25.0000